

**Cancer Prevention and Research Institute of Texas
Summary of Recommendations - House**

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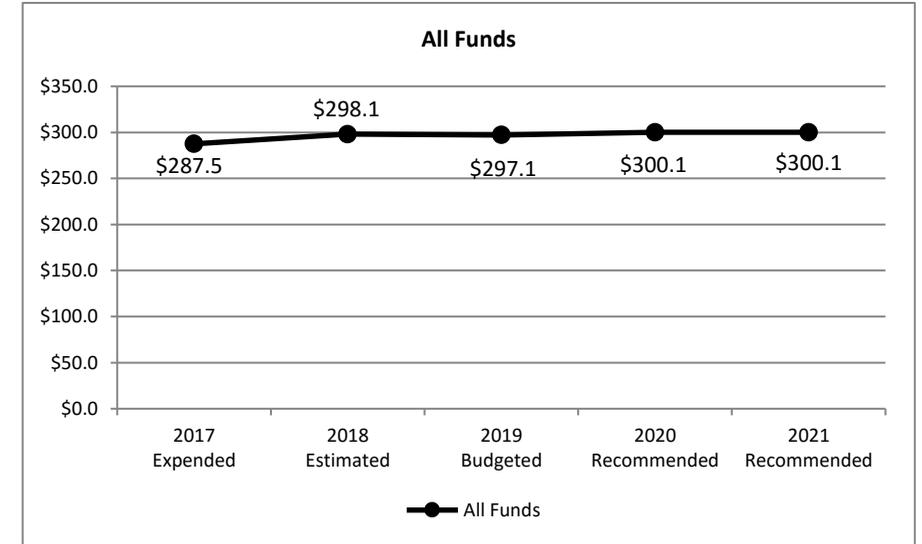
Wayne Roberts, Executive Director

Jordan Smith, LBB Analyst

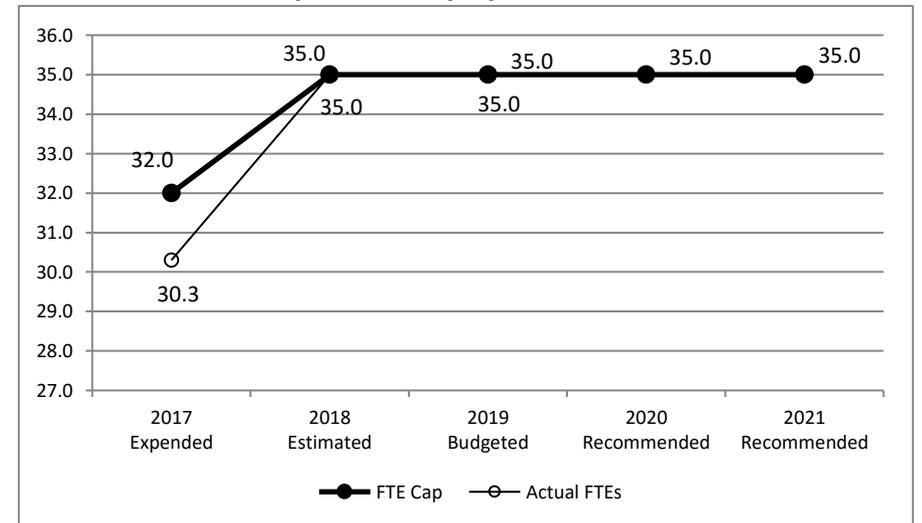
Method of Financing	2018-19 Base	2020-21 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$0	\$0	\$0	0.0%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	\$0	\$0	\$0	0.0%
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$595,181,630	\$600,110,000	\$4,928,370	0.8%
All Funds	\$595,181,630	\$600,110,000	\$4,928,370	0.8%

	FY 2019 Budgeted	FY 2021 Recommended	Biennial Change	Percent Change
FTEs	35.0	35.0	0.0	0.0%

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2020-21 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2020-21 biennium.

**Cancer Prevention and Research Institute of Texas
Summary of Funding Changes and Recommendations - House**

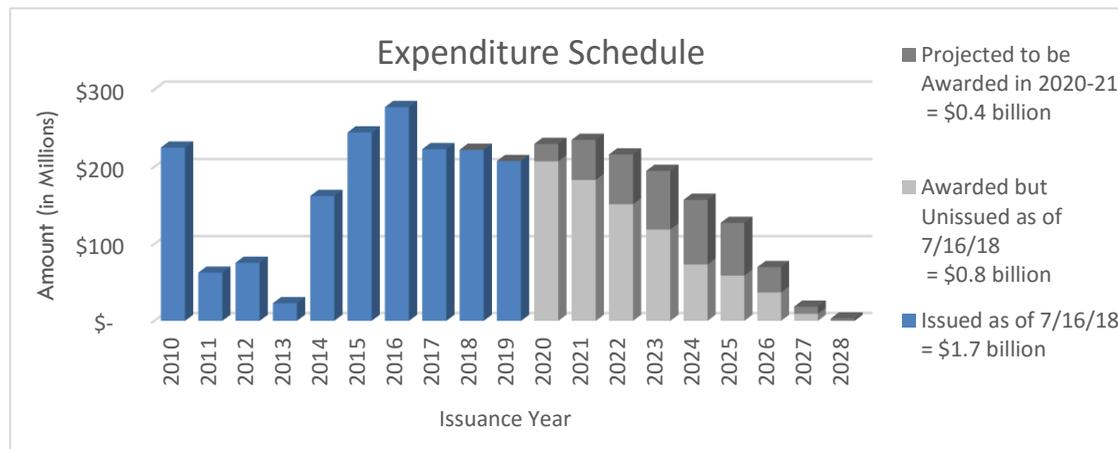
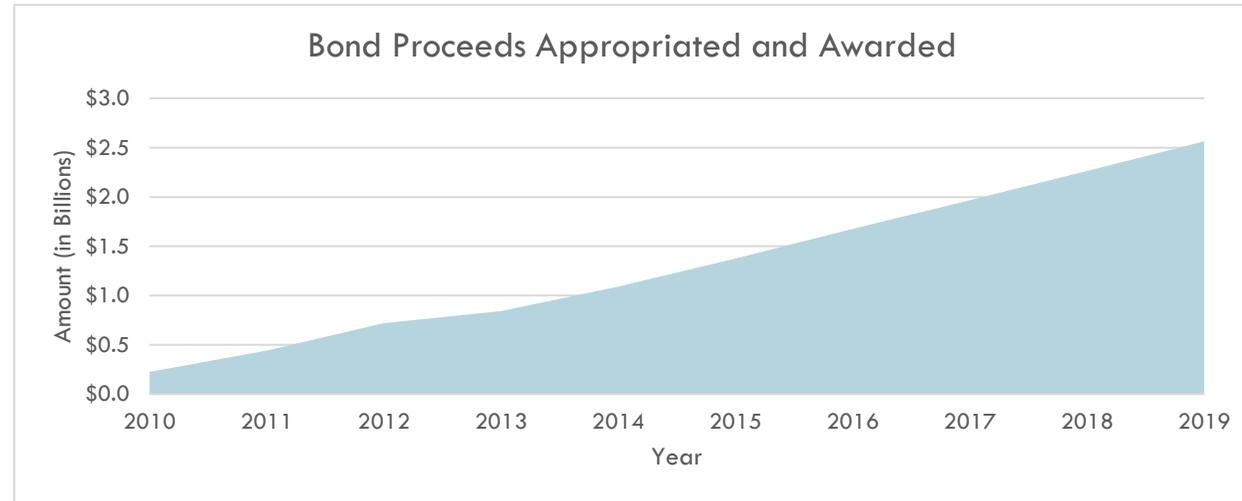
Funding Changes and Recommendations for the 2020-21 Biennium compared to the 2018-19 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i>							
A)	Declining General Obligation Bond authority available for grant awards.	\$0.0	\$0.0	\$0.0	(\$164.0)	(\$164.0)	A.1.1, A.1.2
B)	Addition of Economic Stabilization Funds to provide grant funding at historical capacity.	\$0.0	\$0.0	\$0.0	\$164.0	\$164.0	A.1.1, A.1.2
<i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i>							
C)	General Obligation Bond Proceeds to be transferred to the Department of State Health Services (DSHS) for administration of the Cancer Registry.	\$0.0	\$0.0	\$0.0	\$6.0	\$6.0	A.1.1
D)	Unexpended balances carried forward from fiscal year 2017 to fiscal year 2018 and expended.	\$0.0	\$0.0	\$0.0	(\$0.7)	(\$0.7)	A.1.3
E)	One-time collection of conference registration fees in fiscal year 2018.	\$0.0	\$0.0	\$0.0	(\$0.3)	(\$0.3)	A.1.3
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		\$0.0	\$0.0	\$0.0	\$5.0	\$5.0	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>		\$0.0	\$0.0	\$0.0	\$170.0	\$170.0	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>		\$0.0	\$0.0	\$0.0	(\$165.0)	(\$165.0)	As Listed

NOTE: Totals may not sum due to rounding.

Cancer Prevention and Research Institute of Texas Selected Fiscal and Policy Issues - House

- Appropriation of Bond Proceeds and Bond Issuances.** HJR 90, Eightieth Legislature, Regular Session, 2007 and approval of Proposition 15 by voters amended Article III of the Texas Constitution to establish the Cancer Prevention and Research Institute of Texas (CPRIT) and authorized \$3.0 billion in General Obligation bond proceeds, to be issued by Texas Public Finance Authority (TPFA). House Bill 14, Eightieth Legislature, Regular Session, 2007 limits the issuance of bonds and the award of grants to \$300 million each fiscal year. Senate Bill 81, Eighty-fifth Legislature, Regular Session, 2017 extended the agency authorization to award grants to August 31, 2022 and moved the scheduled review of the agency by the Sunset Advisory Commission to the 2022-23 biennium. CPRIT would be abolished on September 1, 2023 if not continued by the legislature.

In the 2020-21 biennium, recommendations include appropriating \$436.0 million in remaining available bond proceeds to the agency. Currently, approximately \$2.85 billion in CPRIT bond authority has been appropriated to CPRIT since the 2010-11 biennium. However, \$286.0 million in previously appropriated authority has gone un-encumbered primarily due to the moratorium on grants in fiscal year 2013 and unused previously awarded grant funding. Additionally, recommendations include \$164.0 million in Economic Stabilization Funds (ESF). This funding allows the agency to operate at its historical level of \$300.0 million per year.

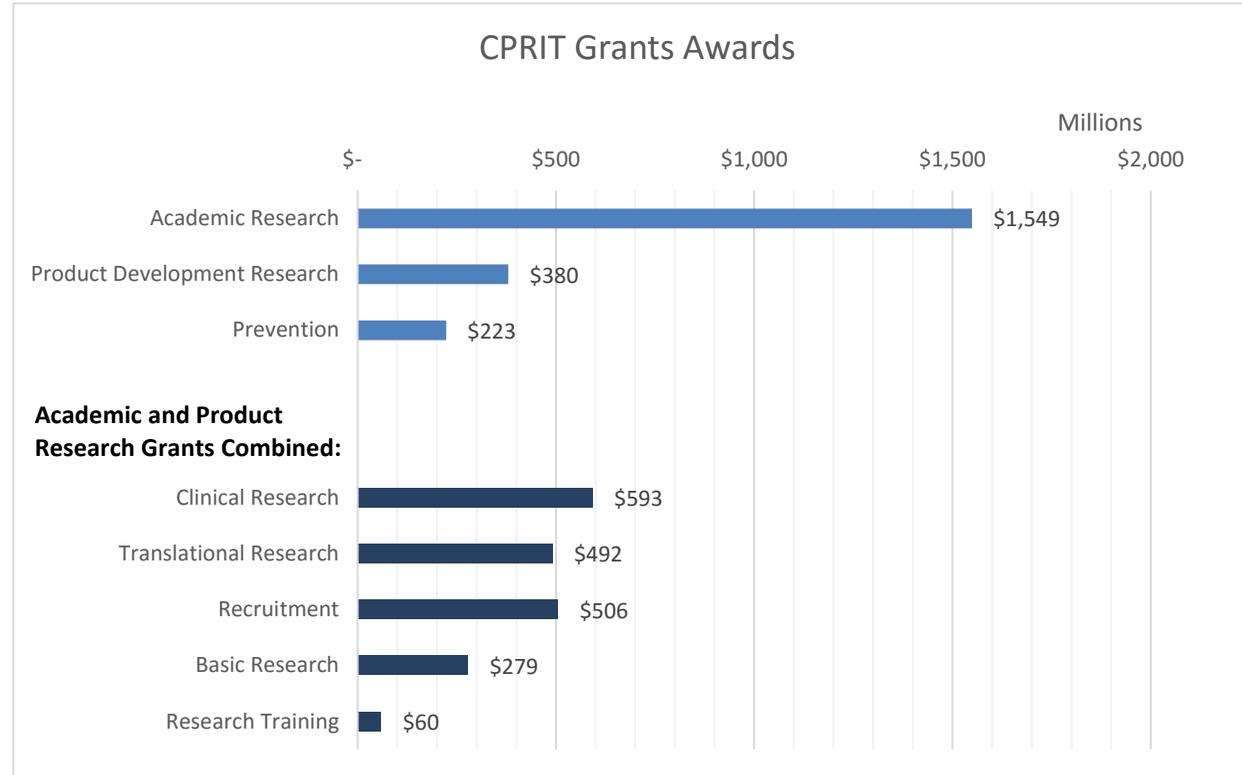


TPFA issues the CPRIT bonds as needed for award expenditures, including reimbursements to grant recipients. By the end of the 2018-19 biennium, approximately \$1.7 billion in bonds will have been issued for CPRIT expenditures (including 2019 projected amounts), and \$0.8 billion in grants funds will have been awarded but not yet issued and expended. Based on the agency's current expenditure schedule, which assumes full appropriation of \$0.4 billion in remaining GO Bond Proceeds for the 2020-21 biennium, and 5 to 7 years to issue award proceeds for certain grant awards, the final 20-year bond issuance will be made to fulfill grant award payments in fiscal year 2028. If CPRIT were to cease operations after fiscal year 2023, statute would need to be modified to allow for the issuing and monitoring of grant awards by another agency after that date.

2. **Agency Continuing Operations and Grant Awards.**

CPRIT achieves its mission through the issuance of grant awards for prevention efforts, product development research, and academic research. By statute, CPRIT is restricted to issuing a maximum of 10% of its available grant funding for cancer prevention efforts.

- Since 2009, CPRIT has awarded 209 prevention grants. These grants focus on increasing the availability of cancer screenings among the medically underserved in Texas as well as improving cancer education. As of November 2018, \$223.1 million has gone to cancer prevention activities in all 254 Texas counties.
- Product development research grants are typically used for early stage investment in Texas based companies that create products to benefit cancer patients. Through November 2018, 35 grants have been awarded totaling \$380.4 million, which has led to follow-on funding of \$1.6 billion for CPRIT-funded companies.
- Academic research grants account for 72% of CPRIT grants awards, totaling \$1.6 billion through November 2018. This award funding has generated 1,077 grants including 166 which have been used to recruit preeminent cancer researchers to Texas.



Source: CPRIT, data as of November 2018

In the 2020-21 biennium, recommendations include appropriating \$218.0 million per year in remaining available bond proceeds to the agency. Approximately \$198.0 million will be available in each year of the biennium for grant awards. The remaining \$20.0 million will be spent on grant review and award operations of \$13.7 million, indirect administration costs of \$3.0 million, and approximately \$3.3 million (including approximately \$0.3 million in benefits payments) transferred, by rider, to the Department of State Health Services for administration of the Cancer Registry.

CPRIT has statutory approval to continue making grant awards through fiscal year 2022, however recommendations assume that the agency would issue the last remaining grant awards in 2021. Administrative operations will then be closed out in the 2022-23 biennium. According to the agency, expending the last of the grant awards in a two year window, during the 2020-21 biennium, will allow for more of the remaining bond proceeds to be directed towards grant awards instead of incurring additional grant review related costs, as would be the case if awards were stretched to a third year, fiscal year 2022.

Also included in recommendations is CPRIT's request of \$82.0 million each year in Economic Stabilization Funds (ESF) in the 2020-21 biennium to maintain the historical funding level of \$300 million per year.

3. **Certain Tobacco Settlement Funds for CPRIT Debt Service.** Recommendations include \$436.0 million in GO Bond Proceeds to CPRIT for grants and agency operations. TPFA is appropriated debt service on existing CPRIT debt and debt expected to be issued. TPFA debt service estimates for CPRIT commercial paper in the 2020-21 biennium assume a taxable interest rate of 7.5 percent.

From fiscal year 2012 until fiscal year 2018, certain Tobacco Settlement Funds have been used to pay principal or interest for bonds issued for CPRIT. The appropriated amounts are transferred from three funds outside the treasury on an as needed basis. The funds were projected to be depleted in fiscal year 2019. However, due to lower expenses than projected, the balance of the three accounts is projected to be approximately \$8.7 million in fiscal year 2020. Estimates indicate that CPRIT debt service payments will be \$310.4 million in the 2020-21 biennium. Therefore, the legislature would need to appropriate \$301.7 million in General Revenue or other methods of finance to pay the debt service on existing CPRIT debt as well as any new issuances that occur beginning in the 2020-21 biennium.

4. **CPRIT Returns on Investment.** Pursuant to Health and Safety Code, Sec. 102.256, the CPRIT Oversight Committee is required to establish standards to make all grant awards subject to an intellectual property agreement that allows the state to collect royalties and other benefits generated from projects funded by CPRIT grants. Prior to fiscal year 2014, all revenues generated from these agreements were deposited into General Revenue-Dedicated Account No. 5136 Cancer Prevention and Research Institute of Texas Fund. Statute allows the fund to be used to pay debt service on CPRIT bonds, as well as provide CPRIT grants and fund agency operations. Senate Bill 149, 83rd Legislature, Regular Session, 2013, amended Health and Safety Code to establish a cancer prevention and research interest and sinking fund to receive any income received under a grant contract and limited the use of the fund to pay only debt service on CPRIT bonds. However, the fund did not make funds consolidation in the 83rd Legislature and beginning September 1, 2013 all grant revenues were deposited into General Revenue until the fund was recreated by House Bill 3849, 85th Legislature, Regular Session, 2017 as General Revenue-Dedicated Account No. 5168.

The table below provides an overview of revenues from grant contracts and the funds where the balances currently reside. Revenues total \$3.4 million and revenues are expected to increase as CPRIT continues to invest in companies through product development awards.

	2011	2012	2013	2014	2015	2016	2017	2018	Total
GR-D Account No. 5136	\$14,367	\$136,826	\$145,436	-	-	-	-	-	\$296,629
GR-D Account No. 5168	-	-	-	-	-	-	\$40,195	\$185,836	\$226,032
General Revenue	-	-	\$101,324	\$1,769,780	\$45,774	\$921,686	\$60,138		\$2,898,892
Total Income Received as of 8/31/2018									\$3,421,553

Source: Comptroller of Public Accounts and CPRIT

**Cancer Prevention and Research Institute of Texas
Items Not Included in Recommendations - House**

	2020-21 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2022-23
	GR & GR-D	All Funds	FTEs			

Agency Exceptional Items Not Included (in agency priority order)

1)	Transfer of funds among strategies from A.1.1, Award Cancer Grants to B.1.1, Indirect Administration to maintain contracted IT related services.	\$0	\$0	0.0	Yes	Yes	\$0
2)	Authorization for an additional IT Systems Analyst	\$0	\$0	1.0	Yes	No	\$0

Agency Requested Rider Revisions Not Included

3)	Modification of Rider 4, Transfer Authority to remove the LBB approval requirement for transfers out of cancer prevention and research grant award strategies and replace with notification of transfers to the LBB and Governor's Office.	\$0	\$0	0.0	No	Yes	\$0
4)	Deletion of Rider 5, Transfer to Department of State Health Services for the Cancer Registry to remove the requirement that the agency transfer Bond Proceeds (\$3.0 million each year plus approximately \$500k for employee benefits) for the Cancer Registry.	\$0	\$0	0.0	No	No	\$0

TOTAL Items Not Included in Recommendations		\$0	\$0	1.0			\$0
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**Cancer Prevention and Research Institute of Texas
Appendices - House**

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* Appendix is not included - no significant information to report

**Cancer Prevention and Research Institute of Texas
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS**

Strategy/Goal	2018-19 Base	2020-21 Recommended	Biennial Change	% Change	Comments
AWARD CANCER RESEARCH GRANTS A.1.1	\$504,597,494	\$510,570,334	\$5,972,840	1.2%	Recommendations include an increase of \$6.0 million in All Funds in the 2020-21 biennium due to funds transferred to the Department of State Health Services (DSHS) for administration of the Cancer Registry in the agency base and included again in the 2020-21 biennium.
AWARD CANCER PREVENTION GRANTS A.1.2	\$56,075,912	\$56,100,162	\$24,250	0.0%	
GRANT REVIEW AND AWARD OPERATIONS A.1.3	\$28,075,052	\$25,771,460	(\$2,303,592)	(8.2%)	Recommendations include a decrease of \$0.7 million in bond proceeds related to unexpended balances carried forward from FY 2017 into FY 2018 and a decrease of \$0.3 million in Appropriated Receipts related to the one-time collection of conference registration fees in FY 2018. There is an additional decrease of \$1.2 million in bond proceeds transferred to Strategy B.1.1 for IT related projects.
Total, Goal A, CANCER RESEARCH AND PREVENTION SVCS	\$588,748,458	\$592,441,956	\$3,693,498	0.6%	
INDIRECT ADMINISTRATION B.1.1	\$6,433,172	\$7,668,044	\$1,234,872	19.2%	Recommendations include an increase of \$1.2 million in bond proceeds transferred from Strategy A.1.3 to maintain IT infrastructure and other IT services including risk assessments, vulnerability testing, disaster recovery services and a planned move to an electronic records management system.
Total, Goal B, INDIRECT ADMINISTRATION	\$6,433,172	\$7,668,044	\$1,234,872	19.2%	
Grand Total, All Strategies	\$595,181,630	\$600,110,000	\$4,928,370	0.8%	Recommendations include the remaining \$436.0 million in available bond proceeds available to the agency from their \$3.0 billion in General Obligation bond authorization. This is a decrease of \$164.0 million from the 2018-19 biennium. This decrease is offset by \$164.0 million in Economic Stabilization Funds.

**Cancer Prevention and Research Institute of Texas
FTE Highlights - House**

Full-Time-Equivalent Positions	Expended 2017	Estimated 2018	Budgeted 2019	Recommended 2020	Recommended 2021
Cap	32.0	35.0	35.0	35.0	35.0
Actual/Budgeted	30.3	33.7	35.0	NA	NA

Schedule of Exempt Positions (Cap)					
Chief Executive Officer, Group 7	\$256,250	\$256,250	\$256,250	\$256,250	\$256,250
Chief Scientific Officer	\$553,500	\$553,500	\$553,500	\$553,500	\$553,500

Notes:

- a) The agency is requesting an increase in the Executive Director Exempt Position salary authority from \$225,650 to \$281,875 per year and from Group 7 to Group 8.

- b) The State Auditor's Office Report, Executive Compensation at State Agencies (Report No. 18-705, August 2018), indicates a market average salary of \$247,818 for the Executive Director position at the Cancer Prevention and Research Institute of Texas and recommends a change from the current Group 7 classification to Group 8. The SAO report did not address the Chief Scientific Officer exempt position.

**Cancer Prevention and Research Institute of Texas
Summary of Ten Percent Biennial Base Reduction Options Recommendations - House**

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs				
TOTAL, 10% Reduction Options			\$0	\$0	0.0	\$0			

Cancer Prevention and Research Institute of Texas is funded entirely through Other Funds, including General Obligation Bond Proceeds, Economic Stabilization Funds, Appropriated Receipts, and License Plate Revenues. A ten percent reduction schedule was not included for this agency.